

Corporate Compliance

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March 28, 2005

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551
(via regs.comments@federalreserve.gov)

RE: Docket No. R-1217

BB&T Corporation (“BB&T”) appreciates the opportunity to comment on the Federal Reserve System’s advance notice of proposed rulemaking to commence a review of the open-end (revolving) credit rules of the Board’s Regulation Z. BB&T is a regional financial holding company with numerous banks and non-bank subsidiaries. Our comments are as follows:

Q1 Scope of review:

BB&T believes Regulation Z should be reviewed and revised and that the Board’s approach to completing this review in stages is appropriate, provided that special attention is given to ensuring consistency within the regulation.

As pointed out in the proposal, credit cards have evolved into more than just an open-end revolving line of credit. Pricing has become more complex and access to the line could involve more than just the card itself. All details of pricing and access are disclosed to the consumer before an account is opened. The consumer can then use the information to make personal decisions as to how to use the line of credit. Whether additional or different disclosures are necessary for credit cards accounts should consider both the creditor’s responsibility to disclose the information and the consumer’s responsibility to read the disclosures.

If one universal theme could be applied by the Board in making revisions, it should be that making the text larger or bolder does not make it more clear and conspicuous, it is the complexity of the content that needs to be addressed.

Q2-3 Account-opening disclosures:

Nothing in the information presented in the proposal background points to any real need to make changes in the account-opening disclosures. Changes in format or in type-size without a clear need for them would only serve to increase costs to creditors.

Q4-6 Periodic statements:

As was pointed out in the Proposal, there are increasing numbers of consumers who already have two or more credit card accounts. The back of the periodic statement provided to our customers are fairly constant among financial institutions. It's the front of the periodic statements that can be confusing. If the Board adopted format rules, it would make it easier for customers to compare one financial institutions periodic statement to the others.

However, because creditors have different features and different pricing for purchases, cash advances, introductory rates, any standardized format would have to be very flexible. Again, the costs involved in having creditors adopt any standardized format should be balanced against the likelihood that consumer confusion would be eliminated.

Q7-8 Credit card application disclosures:

The Schumer box is generally acceptable under the current rule.

However, the Board needs to give more consideration as to how to correctly disclose risk-base pricing. This feature is becoming more common and is currently being addressed under the Fair Credit Reporting Act. Because it is a front-end pricing issue the major impact is on the credit card application disclosures (the "Schumer box"). The current rule regarding the range of APR is no longer effective under risk-based pricing. The ranges become information overload and no longer meaningful to the customer. One way to address this issue might be similar to home-equity plans for payment terms where we use a recent annual percentage rate or the medium rate within the range. A footnote to the effect that the APR could be higher or lower depending on the consumer's individual credit report.

Q9 Subsequent disclosures:

We do not have any suggestion on formatting because we believe that the subsequent disclosures are acceptable under the current rule

Q10-12 Model forms and clauses:

Additional model clauses and forms are generally helpful.

Q13-20 Classification of fees as “finance charges” and “other charges”:

Whether the statement that “the type of fees creditors charge on open-end consumer credit accounts have grown in number and variety” is true or not, creditors currently adequately disclose all fees

Including other fees in the calculation of the effective APR on the periodic statement is confusing to consumers, who expect to see interest accruing on their account at the rate that was disclosed to them. The combination of interest and certain fees into a calculation for purposes of showing the true “cost of credit” may be informative, but it should be separate from the calculation of the APR on the periodic statement.

Q23-25 Annual percentage rate on periodic statements:

As noted above, the current use of effective APR on periodic statements is confusing to consumers and should be eliminated.

Q26-27 Disclosure about rate changes:

Mailing a notice 15 days before the effective date is adequate to provide timely notice of a change in interest rates that was not addressed in the initial disclosures. Because the initial disclosure also details what changes in the rate will result from the consumer’s actions, no further notice that the creditor will do what the creditor already disclosed it would do should be required.

Q28-30 Balance calculation methods:

Consumers may not understand how different balance calculation methods affect the cost of credit. We do not believe that additional disclosures are an effective way to address this issue; it is more appropriately addressed by consumer education. We recommend that the Federal Reserve Board develop an informational brochure with examples of calculations that demonstrate the difference in cost of credit due to the balance calculation method used.

Q31-33 Minimum payments:

Information on the effect of making only minimum payments should be included in the consumer education materials recommended in response to Q30 above.

We also recommend that consumer education materials contain information on merchant credit plans and deferred payment plans. In deferred transactions, consumers do not always realize that interest may be charged for billing cycles back to the purchase date if the balance is not paid in full by a certain date.

Q38-42 Other questions:

Within the current rule review process we think the information currently provided with credit card applications and solicitations are adequate and effective to assist consumers in deciding whether or not to apply for an account.

Q43 General:

We think the existing rules are adequate on the provisions implementing TILA's substantive protections for open-end credit accounts.

Q44 Accessing credit card accounts:

Creditors adequately disclose the access devices which can be used to access a consumer's account. Although the consumers may focus on the plastic, most recognize that it is the account number that identifies the line of credit.

Q52-58 Providing guidance not expressly addressed in existing rules

We think the current process is working. Instead of a new formalized process, it would be more effective to encourage the Board staff to freely issue informal advice on new products or circumstances not expressly addressed in Regulation Z. It is not as important that the advice be formal as that it be timely when it involves current issues that are not addressed within Regulation Z.



Branch Banking and Trust Co.

Thank you for the opportunity to provide these comments and look forward to commenting on other areas of Regulation Z.

Sincerely,

Mark D. Vaughn
Vice President and
Corporate Compliance Officer, CRCM